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RUEHAS/AMEMBASSY ALGIERS PRIORITY 0650  
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RUEHAK/AMEMBASSY ANKARA PRIORITY 4821  
RUEHLB/AMEMBASSY BEIRUT PRIORITY 4032  
RUEHEG/AMEMBASSY CAIRO PRIORITY 2327  
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 4782  
RUEHLO/AMEMBASSY LONDON PRIORITY 1649  
RUEHFR/AMEMBASSY PARIS PRIORITY 2096  
RUEHRB/AMEMBASSY RABAT PRIORITY 8638  
RUEHRO/AMEMBASSY ROME PRIORITY 6125  
RUEHRH/AMEMBASSY RIYADH PRIORITY 1029  
RUEHTU/AMEMBASSY TUNIS PRIORITY 5148  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 7105  
RUEHJM/AMCONSUL JERUSALEM PRIORITY 9953  
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY  
RHMFISS/COMSOCEUR VAIHINGEN GE PRIORITY  
RHMFIUU/COMSIXTHFLT PRIORITY

UNCLAS TEL AVIV 001326

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM  
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA  
HQ USAF FOR XXXX  
DA WASHDC FOR SASA  
JOINT STAFF WASHDC FOR PA  
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR  
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD  
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD  
LONDON ALSO FOR HKANONA AND POL  
PARIS ALSO FOR POL  
ROME FOR MFO

SIPDIS  
E.O. 12958: N/A  
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SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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Mideast

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Key stories in the media:  
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The media reported that the truce continues to hold in and around the Gaza Strip. Ha'aretz quoted military sources as saying yesterday that if the cease-fire holds, the army will begin to redeploy some of its troops to other sectors or for training. At the moment, the troops are still on high alert. The Jerusalem Post quoted Hamas officials as saying yesterday that although the

cease-fire does not include the West Bank at this stage, they have instructed their supporters there to act as if it does. Israel Radio reported that Egypt has announced that the complete opening of the Gaza crossings will take place only after the prisoner swap between Hamas and Israel is completed. The lead stories of Yediot and Maariv are composed of interviews with the families of the three Israeli abductees. Electronic media reported that Defense Minister Ehud Barak has met with those families today.

Leading media reported that PM Ehud Olmert is expected to leave for Egypt on Tuesday for discussions with President Hosni Mubarak on the truce, the prevention of arms smuggling to Gaza and explore accelerating talks for the release of Gilad Shalit. Yediot reported that in an interview with the Australian newspaper The Sydney Morning Herald yesterday, Olmert said that the truce was Hamas's last chance to prevent an Israeli military operation in Gaza. Israel Radio quoted Olmert as saying in an interview with BBC Arabic Television that Israel is prepared to make dramatic concessions but that the Palestinians will also need to give ground. On a different topic, Olmert said he would be willing to make compromises in order to reach a peace agreement with Syria, but there were "several issues" that needed to be resolved before such an agreement would materialize. Ha'aretz quoted Defense Minister Ehud Barak as saying in an interview with the French newspaper Le Monde that only the U.S. can help the Israeli-Syrian talks, adding that he believed that the U.S. would get involved.

Israel Radio cited The New York Times as saying that Israel carried out a major military exercise earlier this month that American officials say appeared to be a rehearsal for a potential bombing attack on Iran's nuclear facilities. U.S. officials were quoted as saying that over 100 Israeli F-16 and F-15 fighters participated in the maneuvers, which were carried out over the eastern Mediterranean and over Greece during the first week of June.

The Jerusalem Post and Israel Radio cited ABC News as saying that U.S. and Canadian intelligence agencies warned yesterday that Hizbullah attacks on Jewish targets around the world -- in particular the Israeli Embassy in Ottawa and synagogues in Toronto -- could be imminent. ABC News quoted intelligence officials as saying that Hizbullah had activated sleeper cells in Canada, and that top terror operatives had left Lebanon -- to the U.S., Canada and Africa. According to the officials, Hizbullah wishes to avenge the assassination of arch-terrorist Imad Mughniyah in February, for which the Shi'ite group holds Israel accountable. Israel has repeatedly denied the allegation.

Leading media reported that a clash between settlers and police in the West Bank settlement of Yitzhar ended with 19 injuries yesterday after police came to tear down a mobile home built without a permit. Maariv reported that a yeshiva student from Yitzhar built an improvised Qassam rocket and fired it at an Arab village. Yediot reported that right-wing groups and settlers plan to block dozens of intersections in the northern West Bank to prevent attempts by the police and Civil Administration in the territories to pull down illegal buildings.

Ha'aretz reported that Likud leaders have warned Shas that the party will not be part of any future Likud government if it supports an alternative administration headed by Kadima.

Ha'aretz reported that Jordan prevented an Israeli delegation from crossing the Allenby Bridge on Sunday to attend an economic cooperation conference with Jordanian and Palestinian colleagues. What had been planned as a tripartite gathering to discuss economic issues concerning the Dead Sea became a bilateral, Jordanian-Palestinian parley only. A would-be Israeli conference-goer was quoted as saying that the assumption is that the action was a sign from Jordan that it is not willing to cooperate with Israel on strategic projects at this stage.

Ha'aretz reported that over the past few weeks Israel has been trying to thwart a \$400 million arms deal between the U.S. and Lebanon. The daily quoted Israel diplomatic sources as saying that the weapons would eventually reach hostile bodies. Ha'aretz reported that the issue has sparked disagreements between the U.S. and Israel.

Ha'aretz reported that foreign investors engaged heavily in speculation in Israel's currency market in May, selling \$870 million worth of dollars in net terms.

Yediot presented the results of a Mina Zemach (Dahaf Institute) poll:

Do you favor or oppose the "tahdiya" agreement with Hamas?

Favor: 56%; oppose: 39%; 5% are undecided.

Do you believe that the truce with Hamas will hold?

No: 64%; tend not to believe: 15%; tend to believe: 15%; yes: 5%; 1% are undecided.

Should the truce agreement with Hamas have been made contingent upon Gilad Shalit's release?

Yes: 78%; no: 15%; 7% are undecided.

As long as it is not known whether [Hizbullah abductees] Goldwasser and Regev are alive, do you favor an agreement in which [Lebanese terrorist Samir] Kuntar will be released?

Favor: 65%; oppose: 27%; 8% are undecided.

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Mideast:  
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Summary:  
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The independent, left-leaning Ha'aretz editorialized: "The Israeli government's reasons for preventing the Shalit deal don't hold water, and it would do well to set aside the futile arguments it is clinging to. Gilad Shalit must come home. He is the national asset, not the Palestinian prisoners."

The conservative, independent Jerusalem Post editorialized: "Israeli decision-makers have purchased temporary calm for the battered communities bordering Gaza. The fear, underlined by bitter experience, is that it comes at the cost of a devastating storm brewing over the horizon."

Block Quotes:  
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#### I. "Free Gilad Shalit"

The independent, left-leaning Ha'aretz editorialized (6/20):

"Israel, having preferred, justifiably, to try out the cease-fire with Hamas rather than embark on a military operation, is now attempting to bite off more than it can chew. It is linking the cease-fire and opening the Rafah crossing to Gilad Shalit's release -- two for the price of one, as though it were a special offer in a supermarket chain. This approach may be suitable for gamblers, who are willing to pay the price of a failed negotiation, but not for a state that has learned a bitter lesson in POW exchanges -- a state that knows the price of a POW, dead or alive; a state that knows that the public does not forget the prisoners. In spite of this, during the two years since Shalit -- whom every Israeli family has

come to regard as its own son -- was taken prisoner, the government has offered a variety of excuses, forgetting the heart of the matter. A state's prestige is not measured only by its military ability to deal with a terror organization or enemy state, and its might is not measured merely by its deterrent ability. It leans on the public's confidence in its fairness, its ability to act compassionately and its willingness to pay a high price, as its citizens are required to. The Israeli government's reasons for preventing the Shalit deal don't hold water, and it would do well to set aside the futile arguments it is clinging to. Gilad Shalit must come home. He is the national asset, not the Palestinian prisoners."

#### II. "The Brewing Storm"

The conservative, independent Jerusalem Post editorialized (6/20):  
"We may be witnessing the establishment of a nascent Palestinian state uncompromisingly committed to the destruction of Israel. With Gaza in its grip, the Islamists will turn their full attention to the West Bank. Hamas can now more easily send its gunmen for specialized training abroad, while foreign 'experts' will find it easier to infiltrate into the Strip. Even if the Egyptians, using newly arrived American tunnel-detection equipment and limited but better-trained forces, make a strenuous effort to intercept the flow of arms -- and Cairo insists it is now genuinely committed to this goal -- chances are that anti-aircraft and anti-armor missiles, long-range rockets and sophisticated explosives will find their way into the Strip. Finally, this cease-fire accelerates Hamas's ascendancy among Palestinians, and more broadly throughout the Arab world, even as the relative moderates associated with Mahmoud Abbas look ever-more impotent. Yet so long as it ostensibly adheres to the cease-fire, there will be those in the international community who will push for engaging Hamas 'moderates.' Israeli decision-makers have purchased temporary calm for the battered communities bordering Gaza. The fear, underlined by bitter experience, is that it comes at the cost of a devastating storm brewing over the horizon."

JONES